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Fourth Annual
Progress Report

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IAC-D-53/8
24 October 1956

INTELLIGENCE ADVISORY COMMITTEE

Fourth Annual Progress Report of the

Economic Defense Intelligence Committee

1 July 1955 - 30 June 1956

The Fourth Annual Progress Report of the Economic Defense Intelligence Committee (EDIC), circulated herewith for noting, will be placed on the agenda of an early meeting of the IAC.

William P. Bundy by JH
WILLIAM P. BUNDY
Secretary

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FOURTH ANNUAL PROGRESS REPORT OF THE ECONOMIC DEFENSE INTELLIGENCE COMMITTEE

1 July 1955 - 30 June 1956

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ECONOMIC DEFENSE INTELLIGENCE COMMITTEE

FOURTH ANNUAL PROGRESS REPORT

1 July 1955 - 30 June 1956

I. INTRODUCTION

The Economic Defense Intelligence Committee (EDIC) has continued to function effectively in accomplishing its dual purpose to (a) "develop and furnish intelligence to the Economic Defense Advisory Committee (EDAC) for policy making and operations in the economic defense field" 1/ and (b) "develop closer continuous relationships among the operational, policy-formulation, and intelligence-research elements engaged in the economic defense program." 1/

II. SUMMARY OF ACTIVITIES

During the past year, EDIC served the economic defense community by identifying important intelligence problems in this field and bringing them to the attention of appropriate EDAC agencies. To illustrate, the Committee proposed the adoption of more systematic procedures for the identification of unembargoed commodities which have become of strategic importance to the Sino-Soviet Bloc as a result of recent scientific and technological developments. In line with this activity, a study of the increased strategic significance of boron substances as a component of high energy fuels was prepared for EDAC and subsequently was brought to the attention of the NSC. A follow-up interagency study group on high energy fuels

1/ Terms of Reference, IAC-D-53/1, 25 July 1952.

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was conducted under EDIC auspices. Special attention also was given to current Bloc technological developments in the field of radio and television transmitters.

EDIC continued to serve as a mechanism for providing coordinated intelligence support to the responsible agencies on economic defense matters. For example, EDIC participated in coordinating the intelligence used by the EDAC structure for the determination in December 1955-January 1956 of the U.S. position on COCOM II-II quotas. During the year ended 30 June 1956, studies were completed on Bloc procurement from the Free World of a number of strategic commodities such as copper, mercury, and nickel, as well as other studies on the Bloc's supply position in commodities of special economic defense interest such as diamonds. In addition, periodic reports were prepared on Bloc sales of gold in Free World countries, on Bloc orders for ships in Western yards, and on deliveries of both new and used ships to the Bloc. EDIC also provided current intelligence to action agencies on diversions of strategic materials to the Bloc.

Other significant activities of the Economic Defense Intelligence Committee included the review of pertinent reports of individual agencies, the establishment of a comprehensive pattern of requirements for both overt and covert collection of economic defense intelligence, and the review of important research and/or collection deficiencies in this field.

III. EDIC PROGRAM

A. General

During the fiscal year there was a marked increase in the number of coordinated reports and "cases" covering other activities completed by EDIC. Eight intelligence reports were issued (TAB A) and nine intelligence "cases" were completed (TAB B). On 30 June 1956 action was pending on eleven additional cases (TAB C). Intelligence documents of interest to operating departments of the economic defense community continued to be distributed by the EDIC Secretariat (TAB D).

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B. Support for Commodity Controls

As illustrated in the accompanying tabs, EDIC initiated or coordinated the production of intelligence on the supply and utilization in the Bloc of a number of commodities of economic defense interest.

C. Support for Analysis of Soviet Bloc Trade Tactics

Earlier EDIC annual reports have indicated the continuing interest which the Committee has taken in the analysis of Bloc trade tactics. This interest has been concerned largely with the offers of strategic materials by the Bloc to Western Europe. During the past year, EDIC produced a study of Bloc exports of machinery and transportation equipment and made an analysis of all Bloc exports transiting the Belgium-Netherlands-Luxembourg customs area.

D. Support for Analysis of Trade in Decontrolled Commodities and Exceptions Shipments

EDIC has frequently considered the effects on East-West trade of the 1954 revision of the strategic commodity lists. Accordingly, on the basis of official trade statistics and special reporting by U.S. foreign posts, State/OIR prepared a study on this subject.

A similar analytical problem was raised during 1955-56 by the rapidly increasing use of "exceptions" procedures for the shipment to Communist China of commodities under embargo to China but not to the rest of the Bloc. The practical importance of the problem was emphasized by continuing foreign pressure to reduce the differential controls against Communist China. Consequently, a proposal was forwarded to ICA/MDAC to set up an EDIC working group to make a periodic review and analysis of the trends, patterns, and strategic significance of CHINCOM "exceptions" shipments.

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E. Efforts to Improve Collection

During the year, EDIC substantially achieved its long-standing objective of establishing comprehensive U.S. Government instructions for the collection and reporting of economic defense information. For this purpose it was necessary to review all the standing collection requirements and instructions of the Government pertaining to economic relations with the Sino-Soviet Bloc and to identify important outstanding deficiencies.

The success of this effort has been reflected in the substantial improvement of COCOM statistical reporting, the exploitation of the accumulated materials produced by Allied censorship in Austria, the strengthening of CIA arrangements in the field for the collection and dissemination of economic defense information, the preparation of an Economic Defense Intelligence Reporting Guide, and the taking of various important steps to improve the reporting of economic defense information by overseas personnel of the armed forces.

During the past year, all pertinent reporting instructions issued to the U.S. Foreign Service (also applicable to other U. S. Government personnel overseas) were reviewed in EDIC, and the views of various member agencies were transmitted to the Department of State. These new instructions have been issued as a confidential supplement to the Foreign Service Manual.

IV. FUTURE ACTIVITIES

In the light of the pending U.S. Government review and the probable revision of economic defense policies and programs, it is anticipated that EDIC will continue to make a contribution to the economic defense program through participation in both the programming of intelligence research for economic defense and in the production of coordinated intelligence. In addition, EDIC currently plans to continue its focus on the identification of

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commodities which are of increasing importance to the Bloc as a result of new scientific and technological developments. To a large extent, however, the long-run future activities of this Committee will be dictated by a revised U. S. economic defense policy, and by subsequent negotiations in COCOM.

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Acting Chairman

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TAB A

Completed EDIC Reports

1 July 1955 - 30 June 1956

Designation	Title	Date Issued
EDIC/R-2 (IAC-D-53/7)	Third Annual Progress Report of the Economic Defense Intelligence Committee	11 Oct 1955
EDIC/ID-13, Suppl. 1	Sino-Soviet Bloc Exports of Machinery and Transport Equipment to the Free World, 1952-1954	22 Aug 1955
EDIC/ID-15 (Revised)	Ad Hoc Working Group report "Intelligence Relating to the Use of Boron Substances as Fuels"	14 Sep 1955
EDIC/ID-15 (Second Revision)	MICC Working Party Report on "The Use of Boron Substances in Fuels"	9 Dec 1955
EDIC/ID-16 (Revised)	Free World Deliveries of New and Used Ships to the Sino-Soviet Bloc in 1954 and Proposed Construction as of 1 July 1955	2 Nov 1955
EDIC/ID-18	Proposal for Revision of Foreign Service Instructions for Reporting on Economic Relations with the Sino-Soviet Bloc	31 Jan 1956
EDIC/ID-20	Soviet Gold Sales in Free World Markets, January-June 1955	8 Feb 1956
EDIC/ID-23	Sino-Soviet Bloc Shipbuilding - Bibliography	18 Apr 1956
EDIC/ID-24	Availability of Diamonds in the USSR	6 Jun 1956

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TAB B

Completed EDIC Cases

1 July 1955 - 30 June 1956

EDIC Case 3 — Soviet Trade Trends and Tactics: Soviet Bloc Exportation of Petroleum

In December 1954 EDIC was requested to provide the EDAC Executive Committee with an up-to-date version of OIR Intelligence Report No. 6714, "Soviet Bloc Trade Trends and Tactics in Petroleum" for use in COCOM. Through EDIC, member agencies provided comments to State/OIR for use in revising IR 6714. Final disposition of this paper was coordinated by the OIR and MDAC members. (See EDIC/M-10, 7 June 1955).

EDIC Case 4 — French COCOM Delegate Proposal for Exchange of Information on China Trade

In February 1955 the French delegate to COCOM proposed to the USDEL an exchange of statistical information on the volume of commerce in strategic commodities to China via the European Soviet Bloc. After discussion at several EDIC meetings, this case was cancelled and superseded by EDIC Case 12.

EDIC Case 5 — Pending Bloc Shipbuilding Orders

(Reported in Tab A as EDIC/ID-16 (Revised)).

EDIC Case 6 — Soviet Bloc Use of Borax Products (Boric Acid and Borates - I/L 3715) for Rocket Fuel and Other Jet Plane Application

(Reported in Tab A as EDIC/ID-15).

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TAB B (Cont'd)

EDIC Case 9 — Intelligence on Trade in Decontrolled Commodities

The problem of surveillance of commodities which were decontrolled as a result of the 1954 security list review in COCOM was the subject of a number of discussions in EDIC in 1954 and 1955. In December 1955 State/OIR prepared Intelligence Report No. 7031, "Changes in Level and Composition of East-West Trade Traceable to the Relaxation in COCOM Control, August 1954", summarizing the results of their survey based on official trade statistics. This report was discussed at the EDIC meeting held on 9 February 1956.

EDIC Case 12 — Request for Bilateral French-US Exchange of Economic Defense Information

In April 1955 M. Noel-Mayer, the French COCOM Delegate, proposed an exchange of intelligence on East-West trade. In September he provided Embassy Paris with information regarding a possible diversion of US origin radar equipment. The US later provided the French Government with information on the participation of certain French firms in strategic trade with the Sino-Soviet Bloc (see EDIC Control No. 6049, 1 November 1955). Since the various EDIC agencies agreed that further bilateral exchange of information with the French was not practicable at the present time, Case 12 has been closed.

EDIC Case 14 — Revision of Instructions for Reporting on Economic Relations with the Sino-Soviet Bloc

(Reported in Tab A as EDIC/ID-18).

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EDIC Case 17 — Proposal for Identification of New Strategic Commodities

This case outlines a proposal for identification of new strategic commodities making use of US Government scientific expertise in order to accomplish a continuing review and revision of commodity trade controls. EDIC approved this proposal and recommended that it be transmitted to the EDAC member agencies for consideration.

EDIC Case 21 — Availability of Diamonds in the USSR

(Reported in Tab A as EDIC/ID-24).

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TAB C

EDIC Cases Pending, 30 June 1956

Designation	Title
EDIC Case 6	Firms Reportedly Purchasing and Operating Ships for Communist China.
EDIC Case 7	Export of Ortho-Toluidine to Communist China.
EDIC Case 10	Pattern of Soviet Bloc Strategic Exports to the West.
EDIC Case 11	Soviet Bloc Sales of Gold in Free World Markets.
EDIC Case 13	Possible Soviet Bloc Use of Magnesium as Fuel.
EDIC Case 15	Soviet Bloc Position and Use of Perchloric Acid and Perchlorates of Sodium, Potassium, and Ammonia.
EDIC Case 16	Soviet Attempts to Procure Colloxylin.
EDIC Case 18	Strategic Importance of Aluminum and its Source Materials (including bauxite) to the Sino-Soviet Bloc.
EDIC Case 19	Free World Deliveries of New and Used Ships to the Sino-Soviet Bloc in 1955 and Projected Deliveries for 1956, 1957, and 1958.
EDIC Case 20	Borax Discovery in Tibet.
EDIC Case 22 (Revised)	Review of Current Status of Bloc Technology in Radio and Television Transmitters and its Possible Military Applications.

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TAB D

Documents Distributed to EDIC Members

1 July 1955 - 30 June 1956

Designation	Title	Date Issued
EDIC/ID-17	New Western Merchant Vessel Delivered to Communist China. (ONI)	23 Sep 1955
EDIC Control No. 6049	Current Evidences of the Participation of French Firms in Strategic Trade with the Sino-Soviet Bloc. (CIA)	1 Nov 1955
EDIC/WP-2	Possible Transshipment of US-origin Ferrotitanium and Ferrovanadium from Western Europe to the Soviet Bloc. (CIA)	4 Nov 1955
EDIC/AM-22	EDIC Terms of Reference.*	28 Nov 1955
EDIC/ID-19	Gains in Trade, Expressed in Dollars, which Might Follow from the Virtual Elimination of all Controls on Trade with the Bloc. (CIA)	1 Feb 1956
EDIC/IR-22	Sino-Soviet Bloc Imports and Attempted Procurement of Copper, 1954-1955. (CIA)	3 Feb 1956
EDIC/ID-21	Sino-Soviet Bloc Imports and Attempted Procurement of Metallic Mercury in 1955. (CIA)	29 Mar 1956
EDIC/ID-22	Sino-Soviet Bloc Procurement of Nickel - 1955. (CIA)	30 Mar 1956

* A restatement of the IWG Terms of Reference as approved by the IAC, bringing up to date certain name designations and document references following the change of name of the Intelligence Working Group (IWG) to the Economic Defense Intelligence Committee (EDIC).

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